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Digital Content Protection, LLC and
Warner Bros. Entertainment Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

DIGITAL CONTENT PROTECTION,
LLC, a Delaware limited liability company,
and WARNER BROS.
ENTERTAINMENT INC., a Delaware
corporation,

Plaintiffs,

v.

ACE DEAL INC., a California corporation,

Defendant.

Case No. 15-6341

**COMPLAINT FOR DAMAGES AND
INJUNCTIVE RELIEF BASED ON
VIOLATIONS OF THE DIGITAL
MILLENNIUM COPYRIGHT ACT, THE
LANHAM ACT, AND CALIFORNIA LAW**

JURY TRIAL DEMANDED

1 Plaintiffs Digital Content Protection, LLC (“DCP”) and Warner Bros. Entertainment Inc.
2 (“Warner Bros.”) hereby allege as follows:

3 **I. NATURE OF THE ACTION**

4 1. This action seeks damages, injunctive and equitable relief, and other relief for
5 defendant’s violations of the Digital Millennium Copyright Act, 17 U.S.C. § 1201, *et seq.*
6 (“DMCA”), the Lanham Act, 15 U.S.C. § 1125(a)(1), and California law.
7

8 2. High-Bandwidth Digital Content Protection (“HDCP”) is a technological measure
9 that effectively controls access to copyrighted works and protects the rights of copyright owners.
10 HDCP encrypts content as it travels from a wide variety of digital devices, including set-top
11 boxes, Digital Versatile Discs (“DVDs”) and Blu-ray players, computers, Digital Video
12 Recorders (“DVRs”) and game consoles, to digital display devices, such as high-definition
13 televisions (“HDTVs”) (collectively, “Digital Devices”). HDCP is an indispensable content-
14 protection technology in today’s increasingly digital audiovisual content ecosystem.
15

16 3. Whether digital audiovisual content is delivered over the Internet, via physical
17 optical discs, by digital broadcast signals, or from digital storage media such as computer hard
18 drives, HDCP encryption technology ensures that this content is protected when it is transmitted
19 from one device to another for ultimate display and enjoyment. As such, HDCP plays a critical
20 role in linking consumer electronics devices, personal computers, cable and satellite set-top
21 boxes, and other Digital Devices to allow consumers to access and enjoy digital audiovisual
22 content across a wide array of products, all while effectively protecting the rights of copyright
23 owners and controlling access to copyrighted digital content.
24

25 4. HDCP has broad industry support from the major players in the digital content
26 value chain, including major motion picture studios, semiconductor companies, consumer
27 electronics manufacturers and computer companies. Many copyright owners, including plaintiff
28

1 Warner Bros., require that Digital Devices be protected with HDCP in order to display their
2 copyrighted content, including premium commercial entertainment content that is displayed on
3 Digital Devices such as high-value digital motion pictures, television programs, and video games
4 (“Digital Content”).

5
6 5. DCP introduced the first version of HDCP—HDCP 1.0—in 2000. Since then,
7 DCP has regularly released new versions of HDCP to keep pace with technological developments
8 in the digital audiovisual content industry, including, for example, new interfaces, new display
9 technologies, and the availability of higher resolution Digital Content.

10 6. The newest version of HDCP is HDCP 2.2. HDCP 2.2 provides enhanced security
11 features, including state-of-the-art encryption technology. HDCP 2.2 also provides additional
12 functionality. Most importantly, unlike previous versions of HDCP, HDCP 2.2 is capable of
13 encrypting and transmitting ultra-high-definition (“UHD”) Digital Content.

14
15 7. UHD is a digital video format that provides resolutions up to four times greater
16 than the high-definition (“HD”) format, which is currently the industry standard. The increase in
17 image resolution from HD to UHD is “a similar jump . . . as the one from [standard resolution] to
18 HD.” Nick Pino, *4K TV and Ultra HD: Everything you need to know*, TechRadar,
19 [http://www.techradar.com/us/news/television/ultra-hd-everything-you-need-to-know-about-4k-tv-](http://www.techradar.com/us/news/television/ultra-hd-everything-you-need-to-know-about-4k-tv-1048954)
20 [1048954](http://www.techradar.com/us/news/television/ultra-hd-everything-you-need-to-know-about-4k-tv-1048954) (Exhibit A).

21
22 8. Plaintiff DCP is the owner of all rights in HDCP, including HDCP 2.2.
23 DCP licenses HDCP to over 550 Digital Device makers, purchasers, and resellers of HDCP-
24 compliant devices, and Digital Content owners worldwide, including Warner Bros., and DCP
25 receives administrative and licensing fees under such license agreements.

26 9. Plaintiff Warner Bros. owns or controls copyrights in many of the most successful
27 and critically acclaimed movies and recorded television programs released in the United States
28

1 and worldwide. Warner Bros. has invested billions of dollars to create and distribute Digital
2 Content to consumers, has licensed it for display on Digital Devices, and has a license to use
3 HDCP to control access to and to protect its rights in copyrighted Digital Content.

4 10. Defendant Ace Deal Inc. (“Ace Deal”) makes, imports, offers to the public,
5 provides and otherwise traffics in devices marketed under the “Panlong” brand name that are
6 designed to circumvent HDCP and to eliminate HDCP’s access controls and protections. The
7 specific devices at issue in this action are identified in paragraph 54 and referred to collectively in
8 this Complaint as the “Panlong Devices.”

9 11. The Panlong Devices are intended to circumvent HDCP encryption and do
10 circumvent HDCP encryption.

11 12. The Panlong Devices harm copyright owners like Warner Bros. because they
12 enable Digital Content to be displayed without the protections of HDCP, thereby enabling users
13 to access copyrighted works, make and/or distribute copies of copyrighted works, create
14 derivative works of copyrighted works, or publicly perform copyrighted works, all without the
15 permission of the copyright owner.

16 13. The Panlong Devices harm DCP because, among other things, they undermine the
17 effectiveness of HDCP, lower the value of HDCP, and thereby jeopardize DCP’s ability to license
18 HDCP to Digital Device manufacturers and Digital Content owners.

19 14. The Panlong Devices give rise to additional and unique harms to the extent that
20 they circumvent HDCP 2.2, the newest version of HDCP.

21 15. HDCP 2.2 is the only widely adopted, industry-approved technological measure
22 for protecting UHD content transmitted to display devices. If HDCP 2.2 is compromised, then it
23 will become vastly easier to access, copy, reproduce, and perform UHD content without the
24 authority of the copyright owner. As a result, Digital Content owners will be discouraged from
25

1 creating and distributing UHD content, Digital Device makers will be discouraged from
2 manufacturing and selling devices that display UHD content, and consumers will be deprived of
3 the benefits of UHD.

4 16. Moreover, copyright owners like Warner Bros. will be deprived of the benefits of
5 providing UHD content, including the profits from providing such content, and DCP will be
6 deprived of the benefits of licensing HDCP 2.2 to Digital Device makers and Digital Content
7 owners who would otherwise adopt the UHD format.

8 17. Unless enjoined, Ace Deal will continue its unlawful actions and cause further
9 damage and irreparable injury to plaintiffs. Plaintiffs bring this action to stop that harm and
10 protect their rights.

11 **II. THE PARTIES**

12 18. Plaintiff DCP is a limited liability company, organized and existing under the laws
13 of Delaware, and having its principal place of business at 3855 SW 153rd Drive, Beaverton,
14 Oregon 97003, United States.

15 19. Plaintiff Warner Bros. is a corporation, organized and existing under the laws of
16 Delaware, and having its principal place of business at 4000 Warner Boulevard, Burbank,
17 California 91522, United States.

18 20. Defendant Ace Deal is a corporation organized and existing under the laws of
19 California, and having its principal place of business at 1172 Murphy Avenue, Suite 237,
20 San Jose, California 95131.

21 21. Ace Deal is responsible for making, importing, offering to the public, providing,
22 advertising, promoting and/or otherwise trafficking in Panlong Devices in this District as well as
23 throughout the United States.

III. JURISDICTION AND VENUE

22. This Court has subject matter jurisdiction over this action under 28 U.S.C. § 1331 and under 17 U.S.C. §§ 1201 and 1203. This Court has subject matter jurisdiction over plaintiffs' state-law claims under 28 U.S.C. § 1367.

23. Ace Deal is doing business in the State of California and in this District and is subject to the jurisdiction of this Court.

24. This Court has personal jurisdiction over Ace Deal because Ace Deal is a resident of the State of California and this District. In addition, Ace Deal transacts business in the State of California and this District and has specifically marketed toward, sold, distributed, provided, and otherwise trafficked products into the State of California and this District. Ace Deal regularly and purposely conducts, solicits, and transacts business in this District and, on information and belief, Ace Deal has accepted and fulfilled sales orders from consumers in this District and has offered to sell, has sold, has provided, and has distributed Panlong Devices to consumers in this District. In addition, Ace Deal has intentionally caused harm to plaintiffs in this District.

25. Alternatively, this Court has personal jurisdiction over Ace Deal under Federal Rule of Civil Procedure 4(k)(2).

26. Venue is proper in this District under 28 U.S.C. § 1391. Alternatively or in addition, venue in this District is proper under 28 U.S.C. § 1400.

IV. FACTS

A. The HDCP Specification

27. The widespread availability of Digital Content has made Digital Content providers increasingly concerned about unauthorized copying, distribution, and use of their copyrighted works. As a result, Digital Content owners, media manufacturers, and electronics manufacturers

have implemented a variety of technologies that protect access to high-value Digital Content distributed via different media.

28. HDCP is an essential link in this chain of protection. HDCP encryption protects the last stage in the process of distributing Digital Content to consumers: transmission over digital interfaces from Digital Devices that receive such content to Digital Devices that display such content. Figure 1 shows how HDCP fits into the overall content-protection picture.

FIGURE 1



29. HDCP is interface-independent and is available and can be licensed under the appropriate agreement(s). HDCP can be used with Digital Devices that connect to each other through a variety of interfaces including wireless interfaces, High-Definition Multimedia Interface ("HDMI"), an interface widely adopted by HDTV manufacturers and other consumer electronics device manufacturers, Display Port, a video interface that provides high-quality visual and digital displays on devices like flat panel LCD computer displays and digital projectors, and

1 Universal Serial Bus (“USB”), an industry standard that defines the cables, connectors and
2 communications protocols used in a bus for connection, communication, and power supply
3 between computers and electronic devices. Further information about the HDCP specifications
4 and interfaces can be found at www.digital-cp.com/hdcp_specifications.

5
6 30. HDCP effectively controls access to copyrighted Digital Content and protects
7 copyright holders’ rights in Digital Content, as set forth in the DMCA, by using authentication
8 and encryption techniques to prevent the transmission of unencrypted Digital Content, including
9 the transmission of unencrypted Digital Content to devices that lack HDCP protection.

10 **B. HDCP-Protected Systems**

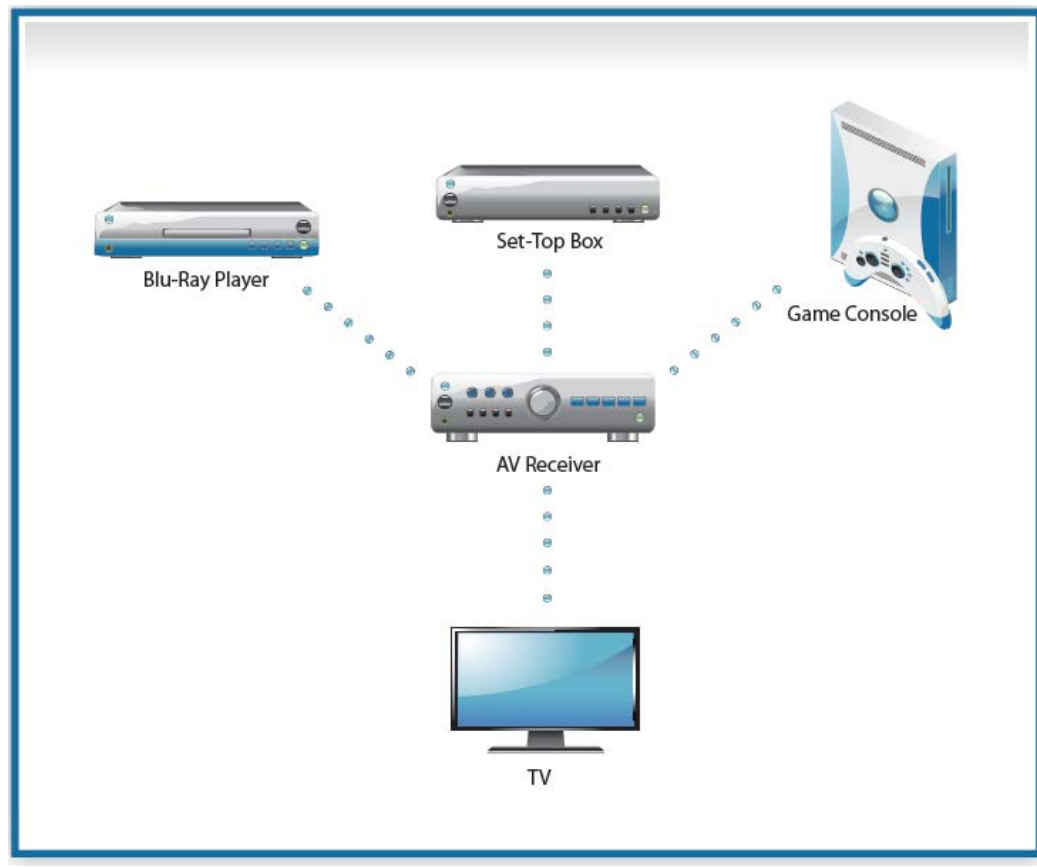
11 31. Digital Devices linked together to enable the display of Digital Content can be
12 categorized as “sources,” “repeaters,” or “sinks.” HDCP protects data as it is transmitted between
13 these types of devices when they are connected via HDCP-protected digital interfaces.

14
15 32. Devices that transmit Digital Content to be displayed (e.g., set-top boxes,
16 computer video cards, and DVD and Blu-ray players) are “sources.” HDCP-protected sources
17 have an HDCP transmitter. Devices that receive Digital Content, decrypt it, then re-encrypt and
18 re-transmit it (e.g., home theater audiovisual receivers) are “repeaters.” Devices that receive
19 Digital Content and then render it for display (e.g., HDTVs and digital projectors) are “sinks.”
20 HDCP-protected sinks have at least one HDCP receiver.

21
22 33. HDCP-licensed sources, repeaters, and sinks can be connected in a tree-shaped
23 topology. All communication among the devices in the tree is protected by HDCP. A typical
24 system for a home theater might include several sources connected to a repeater, which is in turn
25 connected to a sink. Figure 2 illustrates such a system, in which three sources (a Blu-ray player,
26 set-top box, and game console) are connected to a repeater (audiovisual receiver) which is
27

connected to a sink (TV). All communication among the devices in the tree is protected by HDCP (indicated by dotted lines).

FIGURE 2



C. The HDCP Authentication, Encryption, and Decryption Process

34. HDCP employs an authentication, encryption, and decryption process to ensure that only HDCP-protected Digital Devices can receive and display protected Digital Content.

The process operates as follows:

- a. Before HDCP-protected content is sent, an HDCP-protected transmitting device (a “transmitter”) will initiate a “handshake” authentication process to confirm that the receiving device (the “receiver”) is HDCP-compliant and therefore authorized to receive the Digital Content. This process involves several steps whereby the

transmitter prompts the receiver to demonstrate that the receiver holds valid, secret device keys held only by HDCP-compliant devices, and the receiver demonstrates it is authorized to receive the content by sending its DCP-issued key selection vector, thereby protecting the HDCP private keys, yet allowing authentication to complete. During this process, the device private key is not publicly revealed.

b. Once the receiver is authenticated, the transmitter encrypts the content, then sends the encrypted content to the receiver.

c. The encrypted content must be decrypted to be displayed. The encrypted content can be decrypted only by using an HDCP cipher engine and a session key, both of which will be present only in HDCP-compliant devices. This process thereby ensures that only an HDCP-compliant device can decrypt HDCP-protected content.

D. DCP and Its Licensing of the HDCP Specification

35. DCP licenses HDCP to over 550 leading Digital Device manufacturers and Digital Content owners worldwide, including plaintiff Warner Bros. and other major motion picture studios. DCP licenses HDCP to Digital Device manufacturers pursuant to the HDCP License Agreement (“Adopter Agreement”). Licensees under the Adopter Agreement ensure Digital Devices they manufacture comply with the HDCP specification and the terms of the Adopter Agreement, and are interoperable with other products over HDCP-protected interfaces.

36. DCP also makes licenses available to owners of Digital Content pursuant to the HDCP Content Participant Agreement (“Content Participant Agreement”), although owners of Digital Content do not need a license to require HDCP protection for their valuable content. A number of Digital Content owners that are licensees pursuant to the Content Participant Agreement receive certain change management and third-party beneficiary rights.

1 37. DCP receives annual administrative fees and licensing fees from Digital Device
2 manufacturers under the Adopter Agreement and annual administrative fees from Digital Content
3 owners under the Content Participant Agreement. Further information about HDCP licenses can
4 be found at www.digital-cp.com/licensing.

5
6 **E. Warner Bros. and Its Digital Content**

7 38. Warner Bros. is a world-famous entertainment company and a global leader in the
8 creation, production, distribution, licensing, and marketing of Digital Content. Warner Bros.
9 owns or controls copyrights in an extensive library of works that includes approximately 6,650
10 feature films and 50,000 television titles, as well as over 14,000 animated titles and 1,500 classic
11 animated shorts. Warner Bros.' Digital Content includes, for example, the hugely popular
12 *Harry Potter* and *Lord of the Rings* movie series, cartoon megabrands like Looney Tunes and
13 Scooby-Doo, and movie classics like *The Wizard of Oz*.

14
15 39. Warner Bros. has invested billions of dollars and substantial effort to develop,
16 produce, and distribute its Digital Content for viewing on Digital Devices, including Digital
17 Content in the UHD format. Warner Bros. provides its Digital Content to consumers through
18 tangible media such as DVDs and Blu-ray discs, as well as through digital transmission media
19 such as pay-per-view, electronic sell-through, transactional video-on-demand, and subscription
20 video-on-demand.

21
22 40. The expressive and other distinctive features of Warner Bros.' Digital Content are
23 wholly original to Warner Bros., its licensors or assignors, and, as fixed in various tangible
24 media, are copyrightable subject matter under the Copyright Act.

25 41. Warner Bros. holds certificates of copyright registration and/or has secured
26 exclusive licenses or assignments to reproduce, distribute, and license its Digital Content
27 throughout the United States. Warner Bros.' exclusive rights in its Digital Content include the
28

1 rights to reproduce, distribute, or license the reproduction and distribution of its Digital Content
2 in video format in the United States.

3 42. Warner Bros. and those acting under its authority have complied with their
4 obligations under copyright law. Warner Bros., in its own right or as a successor-in-interest, has
5 at all relevant times been and still is the sole owner or otherwise authorized to enforce all rights,
6 title, and interest in and to the copyright in, or to enforce its exclusive right to home video
7 distribution of, its Digital Content.
8

9 43. Warner Bros. actively seeks to offer its Digital Content in the most cutting-edge
10 manner available while vigorously protecting its intellectual property rights. Its efforts to do so
11 include entering into a Content Participant Agreement with DCP that grants Warner Bros. a non-
12 exclusive and non-transferable license to use HDCP, and to cause or permit HDCP to be used, to
13 protect Warner Bros.' Digital Content during distribution and transmission. HDCP's
14 implementation thus helps protect Warner Bros.' Digital Content from unauthorized access,
15 copying, and distribution.
16

17 44. Warner Bros. requires the use of HDCP in many of its distribution licenses for
18 pay-per-view, video-on-demand, and other premium Digital Content delivery services to which
19 Warner Bros. licenses its film and television programming.
20

21 **F. Ace Deal's Unlawful Activities**

22 45. Ace Deal makes, imports, offers to the public, provides, and otherwise traffics in
23 the Panlong Devices.

24 46. In common parlance, the Panlong Devices are "strippers." Inserted between an
25 HDCP-compliant source device and a non-HDCP-compliant sink device, a Panlong Device will
26 remove (or "strip") HDCP encryption from copyrighted Digital Content as it is transmitted from
27 the source device to the sink device. As a result, the copyrighted Digital Content is rendered "in
28

the clear,” making it vulnerable to unauthorized access, copying, and redistribution, and enabling Panlong Device users to access, copy, and distribute copyrighted Digital Content without the authority of the copyright owner. Images of selected Panlong Devices are shown below.

**HDMI 2.0 Splitter
with HDCP 2.2**



**3-Port HDMI
2.0 Switch**



47. The Panlong Devices are primarily designed or produced for the purpose of circumventing HDCP; have only limited commercially significant purpose or use other than to circumvent HDCP; or are marketed by Ace Deal or others acting in concert with Ace Deal with Ace Deal’s knowledge for use in circumventing HDCP. The Panlong Devices descramble a scrambled work, decrypt an encrypted work, or otherwise avoid, bypass, circumvent, remove, deactivate, or impair HDCP, without the authority of plaintiffs.

48. Ace Deal knew or should have known the purpose and use of the Panlong Devices it offered to the public, provided, or otherwise trafficked in. Ace Deal knew or should have known that offering to the public, providing, or otherwise trafficking in the Panlong Devices was unlawful. Ace Deal’s actions were willful and were taken for Ace Deal’s own commercial advantage or financial gain.

49. Ace Deal makes, imports, offers to the public, provides, and otherwise traffics in the Panlong Devices through Ace Deal’s interactive commercial website, www.acepanlong.com,

1 and through additional retail and distribution channels, including other interactive commercial
2 websites maintained by third parties.

3 50. Ace Deal's actions with respect to the Panlong Devices render Digital Content
4 vulnerable to unauthorized access, copying, and distribution, harm Warner Bros. by rendering its
5 Digital Content vulnerable to unauthorized access, copying, and distribution, and impair the
6 effectiveness of HDCP, jeopardizing DCP's licensing revenues.

8 51. Ace Deal does not have a license from DCP or Digital Content owners to sell or
9 distribute the Panlong Devices, and Ace Deal is not a licensee under a Content Participant
10 Agreement. In addition, the Panlong Devices do not comply with the Adopter Agreement, at
11 least because the Panlong Devices allow HDCP-protected content to be displayed on non-HDCP-
12 compliant devices.

14 52. On information and belief, Ace Deal is well aware of plaintiffs' rights, the extent
15 of the harm to plaintiffs' rights caused by the Panlong Devices, and plaintiffs' efforts to enforce
16 their rights. Nevertheless, Ace Deal continues to offer and promote for sale the Panlong Devices.

18 53. On information and belief, Ace Deal has derived significant profit and financial
19 benefit from its involvement in the manufacture, importation of, offering to the public, providing,
20 and/or otherwise trafficking in the Panlong Devices.

22 54. Table 1, below, identifies the Panlong Devices and, on information and belief, the
23 version(s) of HDCP that each Panlong Device circumvents.

TABLE 1

Device Name	Model Number	HDCP Version(s)
HDMI 2.0 Splitter with HDCP 2.2 ("HDCP 2.2 Splitter")	PL0102SP-2.0	Version 2.2 Version 1.4
Panlong HDMI 2.0 Splitter 4-Port with HDCP 2.2	PL0104SP-2.0	Version 2.2 Version 1.4

3-Port HDMI 2.0 Switch	PL0301SW-2.0	Version 2.2 Version 1.4
5-Port HDMI 2.0 Switch	PL0501SW-2.0	Version 2.2 Version 1.4
HDMI Extender	PL-373HE	Version 1.2
Receiver for HDMI Extender	PL-373RX	Version 1.2
HDMI Intelligent Switch Selector	1114970707	Unspecified
HDMI 3D Splitter v1.3	1114971180	Unspecified
HDMI Amplifier Splitter	1114971190	Unspecified
HDMI to HDMI Optical Audio Extractor	DC-1114971067	Unspecified
HDMI Audio Extractor Converter	DC-1115873488	Unspecified
HDMI Matrix Switch	DC-PLM922E	Unspecified
UHD v1.3 1080P HDMI Splitter	PL-HDV-312	Unspecified
HDMI Extender	PL-372A	Unspecified
Premium HDMI Splitter v1.3 4 Port	PL-814	Unspecified
UHD v1.4 4K HDMI Splitter	PL-912	Unspecified
Premium HDMI Splitter v1.4 4 Port	PL-914	Unspecified
HDMI Splitter Amplifier	TALT-PN-734673497	Unspecified
HDMI Switch 5 in 1 Certified for 4K	PL-PRO451S	Unspecified
3 Port 4K UHD HDMI Switch	PL-SW431A	Unspecified

55. The HDCP 2.2 Splitter device has been tested to determine whether it circumvents the protection offered by HDCP. That testing confirms that the HDCP 2.2 Splitter device transmits HDCP-protected content to non-HDCP-compliant devices by performing HDCP decryption, without the authorization of plaintiffs, and by avoiding, bypassing, removing, deactivating, and/or impairing the HDCP authentication process. The HDCP 2.2 Splitter device does not re-encrypt HDCP-protected content after it is transmitted to a non-HDCP-compliant device, rendering the content “in the clear” and therefore vulnerable to unauthorized access, copying, and redistribution.

1 56. On information and belief, and based on representations by Ace Deal, all of the
2 Panlong Devices identified in Table 1, including but not limited to the HDCP 2.2 Splitter device,
3 bypass, remove, deactivate, and/or impair the HDCP encryption technology as described in
4 paragraph 55.

5 57. Plaintiffs reserve the right to amend this Complaint to include additional Panlong
6 Devices manufactured, imported, offered to the public, provided, and/or otherwise trafficked if
7 plaintiffs' ongoing investigation identifies additional devices that circumvent HDCP.

8 58. In addition to its violations of the DMCA, Ace Deal's advertising falsely implies
9 that Ace Deal and the Panlong Devices are associated with or otherwise authorized or approved
10 by plaintiffs, and that the Panlong Devices comply with HDCP encryption technology or are
11 otherwise consistent with the terms of an HDCP license. *See, e.g.*, Description,
12 http://www.acepanlong.com/index.php?route=product/product&path=59_60&product_id=79
13 (describing a Panlong Device as "HDCP compliant") (Exhibit B).

14 59. Ace Deal's false statements of fact, used to promote the Panlong Devices and
15 encourage sales of the same, have the tendency to deceive a substantial segment of their audience
16 by fostering a belief that Ace Deal and the Panlong Devices are associated with or otherwise
17 authorized or approved by plaintiffs.

18 60. In addition, Ace Deal's false statements of fact, used to promote the Panlong
19 Devices and encourage sales of the same, are likely to deceive consumers into believing that the
20 Panlong Devices are lawful when in fact they are not lawful, thereby encouraging consumers who
21 would otherwise choose not to buy unlawful products to buy the Panlong Devices.

22 61. Ace Deal has caused the false statements above, and others, to enter interstate and
23 foreign commerce by, among other things, publishing those statements on Ace Deal's website and
24 on others' websites.

1 **G. The Harm Caused by Ace Deal**

2 62. The Panlong Devices allow users to circumvent, unlawfully and without any
3 authorization, the HDCP encryption technology that effectively controls access to Digital Content
4 and protects the copyrights of owners of such content as set forth in the DMCA. Once the HDCP
5 protection is circumvented, the copyrighted content is unprotected, allowing the content to be
6 copied, distributed, and uploaded to the Internet without authorization, enabling and dramatically
7 increasing the risk of massive copyright infringement.
8

9 63. The Panlong Devices harm Warner Bros. because the Panlong devices make
10 Warner Bros.' Digital Content more vulnerable to unauthorized access, copying, distribution, and
11 other unlawful uses. Warner Bros. is damaged by the unauthorized and uncompensated use of
12 Warner Bros.' Digital Content, which decreases the demand for such content through authorized
13 distribution channels, such as home video, video-on-demand, and premium broadcast channels.
14 Accordingly, Warner Bros. is a person injured by Ace Deal's violations of the DMCA as alleged
15 herein.
16

17 64. In addition, the Panlong Devices harm DCP by impairing the effectiveness of
18 HDCP, reducing the value of HDCP to DCP's licensees, and jeopardizing DCP's licensing
19 revenue. Accordingly, DCP is a person injured by Ace Deal's violations of the DMCA as alleged
20 herein.
21

22 65. As explained above, the Panlong Devices give rise to additional and unique harms
23 to the extent that they circumvent HDCP 2.2 because, if HDCP 2.2 is compromised, then
24 accessing, copying, reproducing, and performing UHD content without the authority of the
25 copyright owner will become vastly easier. As a result, Digital Content owners will be
26 discouraged from creating and distributing UHD content, Digital Device makers will be
27
28

discouraged from manufacturing and selling devices that display UHD content, and consumers will be deprived of the benefits of UHD.

66. In addition, copyright owners like Warner Bros. will be deprived of the benefits of providing UHD content, including the profits from providing such content, and DCP will be deprived of the benefits of licensing HDCP 2.2 to Digital Device makers and Digital Content owners who would otherwise adopt the UHD format.

67. Plaintiffs are also harmed by Ace Deal's false advertising because it falsely implies that Ace Deal and the Panlong Devices are associated with or authorized by plaintiffs, and falsely implies that the Panlong Devices are lawful, thereby encouraging consumers who would otherwise choose not to buy unlawful products to buy Panlong Devices.

V. CAUSES OF ACTION

COUNT ONE

Violation of the Digital Millennium Copyright Act, 17 U.S.C. § 1201(a)(2) and § 1201(b)(1)

68. Plaintiffs incorporate by reference each of the allegations contained in paragraphs 1 through 67 of this Complaint as if fully set forth herein.

69. Section 1201(a)(2) of the DMCA provides, in pertinent part:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component or part thereof, that—

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

1 70. Section 1201(b)(1) of the DMCA provides, in pertinent part:

2 No person shall manufacture, import, offer to the public, provide, or otherwise
3 traffic in any technology, product, service, device, component, or part thereof,
4 that—

5 (A) is primarily designed or produced for the purpose of circumventing
6 protection afforded by a technological measure that effectively protects a
7 right of a copyright owner under this title in a work or a portion thereof;

8 (B) has only limited commercially significant purpose or use other than to
9 circumvent protection afforded by a technological measure that effectively
10 protects a right of a copyright owner under this title in a work or a portion
11 thereof; or

12 (C) is marketed by that person or another acting in concert with that person
13 with that person's knowledge for use in circumventing protection afforded
14 by a technological measure that effectively protects a right of a copyright
15 owner under this title in a work or a portion thereof.

16 71. In the ordinary course of its operation, HDCP requires the application of
17 information, or a process or a treatment, with the authority of the copyright owner, to gain access
18 to a copyrighted work. HDCP is therefore a technological measure that effectively controls
19 access to works protected by the Copyright Act, including Warner Bros.' Digital Content, as set
20 forth in the DMCA.

21 72. In the ordinary course of its operation, HDCP prevents, restricts, or otherwise
22 limits the ability to copy or otherwise use copyrighted works without the authority of the
23 copyright owners. HDCP is therefore a technological measure that effectively protects Digital
24 Content and the rights of copyright owners therein by preventing end users from engaging in the
25 unauthorized reproduction, adaptation, public performance, or distribution of Digital Content or
26 portions thereof, as set forth in the DMCA.

27 73. DCP enters into license agreements with Digital Device manufacturers and owners
28 of copyrighted Digital Content, which pay DCP license fees for rights to employ or implement
29 HDCP. Warner Bros. is one such copyright owner, and has entered into a license agreement to

1 use or cause HDCP to be used to protect Warner Bros.' valid copyrights, duly and properly
2 registered with the United States Copyright Office, in Digital Content.

3 74. The Panlong Devices are primarily designed or produced for the purpose of
4 circumventing HDCP; have only limited commercially significant purpose or use other than to
5 circumvent HDCP; or are marketed by Ace Deal or others acting in concert with Ace Deal with
6 Ace Deal's knowledge for use in circumventing HDCP. The Panlong Devices descramble a
7 scrambled work, decrypt an encrypted work, or otherwise avoid, bypass, circumvent, remove,
8 deactivate, or impair HDCP, without the authority of plaintiffs.

10 75. Ace Deal has been and is actively engaged in the business of manufacturing,
11 importing, offering to the public, providing, or otherwise trafficking in the Panlong Devices. Ace
12 Deal knew or had reason to know the purpose and use of the Panlong Devices. Ace Deal knew or
13 should have known that manufacturing, importing, offering to the public, providing, or otherwise
14 trafficking in the Panlong Devices was unlawful. Ace Deal's actions were willful and were taken
15 for Ace Deal's own commercial advantage or financial gain.

17 76. By its wrongful conduct, Ace Deal has injured and, unless enjoined, will continue
18 to injure plaintiffs, as set forth above.

19 77. Plaintiffs are entitled to recover their actual damages and Ace Deal's profits
20 resulting from Ace Deal's wrongful conduct under 17 U.S.C. § 1203(c)(2). Alternatively,
21 plaintiffs, at their election, are entitled to the maximum statutory damages permitted by the
22 DMCA under 17 U.S.C. § 1203(c)(3).

24 78. Ace Deal's continued wrongful conduct, unless enjoined and restrained by the
25 Court, will cause grave and irreparable harm to plaintiffs, who have no adequate remedy at law.
26 Moreover, if unabated, Ace Deal's misconduct will encourage others to develop circumvention
27 devices that violate plaintiffs' rights and the DMCA. Thus, plaintiffs are entitled to injunctive
28

relief under 17 U.S.C. § 1203(b)(1) and to an Order impounding any materials involved in Ace Deal's violation of the DMCA under 17 U.S.C. § 1203(b)(2).

79. Plaintiffs also are entitled to recover their attorneys' fees and costs of suit under 17 U.S.C. § 1203(b)(4) and (b)(5).

COUNT TWO

Violation of the Lanham Act, 15 U.S.C. § 1125(a)(1)

80. Plaintiffs incorporate by reference each of the allegations contained in paragraphs 1 through 79 of this Complaint as if fully set forth herein.

81. The Lanham Act, 15 U.S.C. § 1125(a), provides a civil remedy for false advertising and states in pertinent part:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

82. Ace Deal has caused false statements of fact about the Panlong Devices to be published on its websites and others' websites, including false statements to the effect that Ace Deal and its activities are associated with, approved by, or authorized by plaintiffs, and false statements to the effect that the Panlong Devices comply with the HDCP technology or are otherwise compatible with a DCP license.

83. Ace Deal's false statements of fact, used to promote the Panlong Devices and encourage sales of the same, have the tendency to deceive a substantial segment of its audience.

84. Ace Deal has caused the false statements above to enter interstate and foreign commerce by, among other things, publishing those statements on Ace Deal's website and on others' websites.

85. Plaintiffs have been, or are likely to be, injured as the result of the false advertising described above.

86. Plaintiffs are entitled to monetary damages in an amount to be proved at trial to the fullest extent allowed under 15 U.S.C. § 1117, including but not limited to Ace Deal's profits earned by its unlawful conduct.

87. The extensive and willful conduct by Ace Deal constitutes extraordinary circumstances that warrant the recovery of plaintiffs' attorneys' fees and costs associated with bringing this action under 15 U.S.C. § 1117.

COUNT THREE

Violation of Cal. Bus. & Prof. Code § 17500

88. Plaintiffs incorporate by reference each of the allegations contained in paragraphs 1 through 87 of this Complaint as if fully set forth herein.

89. Ace Deal's actions, as alleged herein, also constitute a violation of California law. Specifically, California Business and Professions Code § 17500 provides, in pertinent part:

It is unlawful for any person, firm, corporation or association, or any employee thereof with intent directly or indirectly to dispose of real or personal property . . . to make or disseminate or cause to be made or disseminated before the public in this state, or to make or disseminate or cause to be made or disseminated from this state before the public in any state, in any . . . advertising . . . including over the Internet, any statement . . . which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading

1 90. Ace Deal published on its website, and caused to be published on others' websites,
2 false and misleading statements, including statements falsely suggesting an affiliation with or
3 authorization by plaintiffs and statements falsely suggesting that the Panlong Devices comply
4 with the HDCP encryption technology, with the intent to induce purchases of the Panlong
5 Devices.

6
7 91. Ace Deal knew, or reasonably should have known, that the statements described in
8 paragraph 90 were false, untrue, and misleading.

9 92. There is a substantial likelihood that Ace Deal's misconduct has deceived the
10 public and will continue to deceive the public.

11 93. By its wrongful conduct, Ace Deal has injured and, unless enjoined, will continue
12 to injure plaintiffs.

13 94. Plaintiffs have been damaged in an amount to be proved at trial and are entitled to
14 injunctive relief, restitution, and all other remedies permitted by law.
15

16 **COUNT FOUR**

17 **Violation of Cal. Bus. & Prof. Code § 17200**

18 95. Plaintiffs incorporate by reference each of the allegations contained in paragraphs
19 1 through 94 of this Complaint as if fully set forth herein.

20 96. Ace Deal's wrongful conduct, as alleged herein, also constitutes a violation of
21 California's Unfair Competition Law.
22

23 97. Specifically, California Business and Professions Code § 17200 prohibits, in
24 pertinent part, "any unlawful, unfair or fraudulent business act or practice and unfair, deceptive,
25 untrue or misleading advertising."

26 98. Ace Deal has engaged in unfair and unlawful business practices by
27 manufacturing, distributing, and/or selling the Panlong Devices.
28

1 99. Ace Deal has engaged in unfair, deceptive, untrue, or misleading advertising by
2 publishing advertising falsely suggesting that Ace Deal and the Panlong Devices are affiliated
3 with or authorized by plaintiffs, and by falsely suggesting that the Panlong Devices are “HDCP
4 compliant.”

5 100. Ace Deal knew, or reasonably should have known, that the statements described in
6 paragraph 99 were false, untrue, and misleading.

7 101. There is a substantial likelihood that Ace Deal’s misconduct has deceived the
8 public and will continue to deceive the public.

9 102. By its wrongful conduct, Ace Deal has injured and, unless enjoined, will continue
10 to injure plaintiffs.

11 103. Plaintiffs have been damaged in an amount to be proved at trial and are entitled to
12 injunctive relief, restitution, and all other remedies permitted by law.

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14
15 **PRAYER FOR RELIEF**

16 WHEREFORE, plaintiffs pray for the following relief:

17 1. An award of compensatory damages, including plaintiffs’ consequential and
18 incidental damages, in an amount to be proved at trial.

19 2. An award of Ace Deal’s profits, gains, or unjust enrichment in an amount to be
20 proved at trial.

21 3. An award of statutory damages as allowed by law.

22 4. An award to plaintiffs of their attorneys’ fees and costs.

23 5. An award of prejudgment and postjudgment interest at the maximum rate allowed
24 by law.

25 6. An accounting of all Ace Deal’s profits, gains, and unjust enrichment, including
26 without limitation Ace Deal’s receipts and disbursements, profit and loss statements, and other
27

1 financial materials, statements and books, relating to Ace Deal's manufacture, importation,
2 distribution, marketing, sale or other trafficking in the Panlong Devices.

3 7. An accounting of all Panlong Devices, and any other devices or products that
4 circumvent HDCP, that were or are within Ace Deal's possession, custody, or control.

5 8. A declaration that Ace Deal's unauthorized importing, offering for sale, providing,
6 or otherwise trafficking in the Panlong Devices violates 17 U.S.C. § 1201(a)(2) and (b)(1), and
7 that Ace Deal committed such violation willfully and for the purpose of Ace Deal's direct or
8 indirect commercial advantage or private financial gain.

9 9. A preliminary and permanent injunction pursuant to 17 U.S.C. §§ 1203 and 502
10 enjoining Ace Deal, its agents, servants, and employees, and all those in active concert or
11 participation with Ace Deal, from:
12

- 13 a. importing, manufacturing, offering to the public, providing, using, or otherwise
14 trafficking in any technology, product, service, device, component or part thereof
15 (including the Panlong Devices) that is primarily designed or produced to
16 circumvent HDCP;
17
- 18 b. importing, manufacturing, offering to the public, providing, using or otherwise
19 trafficking in any technology, product, service, device, component or part thereof
20 (including the Panlong Devices) that has only limited commercially significant
21 purpose or use other than to circumvent HDCP;
22
- 23 c. importing, manufacturing, offering to the public, providing, using or otherwise
24 trafficking in any technology, product, service, device, component or part thereof
25 (including the Panlong Devices) that is marketed by Ace Deal or others acting in
26 concert with Ace Deal for use in circumventing HDCP;
27

- 1 d. importing, exporting, shipping, delivering, distributing, transferring, returning,
2 holding for sale, destroying, or otherwise moving, storing, or disposing of any
3 Panlong Devices or any other item or product bearing or used to reproduce an
4 unauthorized copy of HDCP-protected Digital Content or any portion thereof;
5
6 e. destroying, transferring, altering, moving, returning, concealing, or in any manner
7 secreting any and all Panlong Devices, and any and all documents and records,
8 including, without limitation, computer tapes, drives, or disks; business records;
9 emails; supplier names and addresses; shipment records; books of accounts;
10 receipts; specifications; packaging and containers; and other documentation
11 relating or referring in any way to the importing, manufacturing, offering to the
12 public, providing, or otherwise trafficking in Panlong Devices;
13
14 f. manufacturing, marketing, selling, importing, supplying, or otherwise providing
15 any product, device, or component thereof that contributes to or induces the
16 unauthorized use or copying of HDCP-protected Digital Content; and
17
18 g. advertising, promoting, or otherwise publishing any statements conveying or
19 suggesting that Ace Deal and its activities are associated with, approved by, or
20 authorized by DCP or its licensees, or that the Panlong Devices comply with the
21 HDCP technology or DCP's license requirements.

22 10. Preliminary and permanent injunctive relief, such as may later be requested before
23 or at trial, requiring Ace Deal and all persons or entities in active concert or participation with
24 Ace Deal, immediately:
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- a. to identify every supplier of every Panlong Device and component thereof; and
- b. to take steps sufficient to ensure that all Panlong Devices in Ace Deal's possession, custody, or control or that are in shipment are immediately seized, inspected, and delivered into plaintiffs' possession.

11. An Order pursuant to 17 U.S.C. §§ 1203 and 503 providing for the seizure, impoundment, and ultimate destruction of all Panlong Devices within Ace Deal's custody or control, and for the seizure and impoundment of all records documenting the manufacture, sale, or receipt of Panlong Devices.

12. An Order requiring Ace Deal to file with the Court and serve upon plaintiffs within ten (10) days after the issuance of any injunction a written report, under oath, setting forth in detail the manner and form in which Ace Deal has complied with the injunction.

13. Such other relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs demand a trial by jury as to all issues so triable.

DATED: December 31, 2015

PERKINS COIE LLP

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